



Republic of the Philippines
Supreme Court
 Manila

SUPREME COURT OF THE PHILIPPINES
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SECOND DIVISION

CHUA PING HIAN also known as
JIMMY CHING,

Petitioner,

- versus -

SILVERIO MANAS (deceased),
 substituted by his heirs, namely,
 Caridad Manas, surviving spouse, and
 children, Nestor Manas, Rolando
 Manas, Rene Manas and Benilda
 Manas,

Respondent.

G.R. No. 198867

Present:

CARPIO, J., Chairperson,
 CAGUIOA,
 J. REYES, JR.,
 LAZARO-JAVIER, and
 ZALAMEDA, JJ.

Promulgated:

16 OCT 2019

X-----X

DECISION

CAGUIOA, J.:

Before the Court is a Petition for Review on *Certiorari*¹ (Petition) under Rule 45 of the Rules of Court filed by petitioner Chua Ping Hian, also known as Jimmy Ching (petitioner Ching), against respondent Silverio Manas (respondent Manas), assailing the Amended Decision² dated October 13, 2011 (assailed Decision) rendered by the Court of Appeals³ (CA) in CA-G.R. CV No. 88099.

The Facts and Antecedent Proceedings

As narrated by the CA, and as culled from the records of the instant case, the essential facts and antecedent proceedings of the case are as follows:

[Petitioner Ching] and his family own several cinemas in Metro Manila. Sometime in July 1997, [respondent Manas] learned that Ching was going to open four theaters in the Sunshine Mall Plaza in Taguig, Metro

¹ *Rollo*, pp. 8-33.

² Id. at 35-43. Penned by Associate Justice Rosmari D. Carandang (now a Member of the Court), with Associate Justices Japar B. Dimaampao and Apolinario D. Bruselas, Jr. concurring.

³ Special Former 16th Division.

Manila. He visited [petitioner] Ching at the latter's office at Spring Cinema, Libertad, Pasay City and introduced himself as a supplier of movie equipments (*sic*) to Emilio Ching's ([petitioner] Ching's brother) cinemas at Holiday Plaza, Libertad, Pasay City.

[Petitioner] Ching informed [respondent] Manas that he needed five complete sets of Simplex Model XL movie projectors for the cinemas at Sunshine Mall. [Respondent] Manas informed [petitioner] Ching that he happened to have Simplex Model XL projectors which are US Rebuilt. He then invited [petitioner] Ching to his house in Makati where said projectors were stored so that the latter could see the same. Since only four Simplex projectors were available then, [respondent] Manas assured [petitioner] Ching that the fifth set of Simplex Model XL will arrive from the United States anytime.

On 15 August 1997, [respondent] Manas and [petitioner] Ching executed the Contract of Sale, the pertinent portions of which reads:

x x x x

1. OBJECT OF SALE - *The SELLER hereby agrees to sell and deliver to the BUYER "FIVE (5) SETS OF SIMPLEX Model XL 35MM MOVIE PROJECTOR and SOUND REPRODUCER, U.S. REBUILT, each set complete with accessories of accurate and exact fittings, the quantity (*sic*), full descriptions/specifications of the complete items composing each set are as listed in the list hereto attached ANNEX "A" and made as integral part hereof;*
2. PURCHASE PRICE AND MANNER OF PAYMENT - *For each complete set, the purchase price shall be SIX HUNDRED THIRTY THOUSAND PESOS (P630,000.00), Philippine currency, or the total sum of THREE MILLION ONE HUNDRED FIFTY THOUSAND PESOS (P3,150,000.00) for the entire five (5) complete sets, which stipulated purchase price shall be paid by the BUYER to the SELLER in the following manner:*
 - (a) *A downpayment of 30% or P945,000.00 upon the signing of this Contract;*
 - (b) *A second payment of 40% or P1,260,000.00 upon full and complete delivery of all the items above-mentioned at the site to be designated by the BUYER provided the complete delivery is effected on or before Jan. 15, 1998; and*
 - (c) *The balance of 30% or P945,000.00 after the complete installation, dry run/testing and satisfactory operations of all the units/sets installed.*
3. INSTALLATION - *The SELLER shall undertake the complete installation of the apparatus/equipment herein purchased at his own expense provided all the wires and*



materials to be used in the installation shall be for the account of the BUYER.

4. WARRANTY - *The SELLER hereby warrants full and satisfactory usefulness of all the apparatus, equipment, parts and accessories for two (2) years counted from the date of their installation. During said warranty period, any breakdown or malfunction due to the poor quality or manufacturing defects of the main apparatus, its parts and accessories shall be replaced or repaired by the SELLER at his own expense, except xenon and exuter bulbs, switches and meters.*
5. DUTY & TAXES - *The SELLER hereby warrants to hold the BUYER free and harmless for any duty or taxes that may be assessed by the government on all the articles herein sold.*
6. NON-PERFORMANCE OF OBLIGATION - *In the event of failure by the SELLER to deliver and install the apparatus/equipment herein purchased, the BUYER shall have the option of rescinding this Contract with damages or institute a legal action for specific performance with damages. On the other hand, in the event (sic) failure by the BUYER to pay any installment of the herein agreed purchase price when such is already due, the BUYER shall be liable to pay an interest on the amount due at the rate of fourteen (14%) percent per annum.*
7. VENUE OF ACTION - *In the event of any legal action that may arise from this Contract, the venue shall be in the appropriate court in Pasay City, exclusively.*

X X X X

In anticipation of the signing of the above contract, or on 19 July 1997, [petitioner] Ching paid [respondent] Manas the amount of P945,000.00 as downpayment. The four sets of Simplex XL projectors were delivered on 22 August 1997. Several other equipments (*sic*), parts and accessories for the projector sets were delivered within the period of 22 August 1997 until 8 May 1999.

[Petitioner] Ching claims that he asked [respondent] Manas to deliver the fifth Simplex projector set and install the projectors. [Respondent] Manas, not having yet the fifth Simplex XL projector set, prevailed on [petitioner] Ching to receive a Century brand projector. After all, it was intended only to be a standby projector. Because the opening date of his cinemas was fast approaching, [petitioner] Ching agreed. The Century projector, which in the market is a little higher in price than the Simplex brand, was delivered on 29 November 1998.

Despite the clarity of paragraph 3 of the contract, the parties differed in the interpretation thereof. Said paragraph reads:

X X X X

3. INSTALLATION - The SELLER shall undertake the complete installation of the apparatus/equipment herein purchased at his own expense provided all the wires and materials to be used in the installation shall be for the account of the BUYER.

x x x x

[Respondent] Manas claims to have completed installation of the projectors. On the other hand, [petitioner] Ching asserts that [respondent] Manas failed to completely install the apparatus/equipment prompting him to hire Nelson Ruzgal to do the wiring connections for a fee of P20,000.00.

Ruzgal commenced his work on the wirings to make the apparatus/equipments (*sic*) work on 26 November 1998. He was assisted by the two projectionists of [petitioner] Ching, Adan Mostera and Lito Pilar. Two days before the scheduled opening of the cinemas, on 23 December 1998, Ruzgal and the projectionists could not light the lamphouses. [Respondent] Manas, who had been observing them, called in his own technician to help. Since the lamphouse would not light, [respondent] Manas' technician took some parts from the rectifier. After re-installing said parts, the lamphouse lit up. Having observed how [respondent] Manas' technician focused the lamphouses and lit the xenon bulb, Ruzgal and [petitioner] Ching's two projectionists, went to the other theaters to adjust the lamphouses. Since the adjusting mechanism was found inside the lamphouse and the bulb inside emitted heat, it took them almost an hour to adjust one lamphouse. It took Ruzgal and the projectionists overnight to finish adjusting all ten lamphouses.

On 24 December 1998, the trial run of the cinemas was successfully held and the cinemas officially opened on 25 December 1998.

In the first four months after operations, some parts of the projectors started having problems. [Respondent] Manas was informed of the defects and asked to replace the same but he failed to do so. The defective equipments (*sic*) and their defects are as follows:

1. Two pieces optical lens malfunctioned, first, in February 1999 and another in March 1999. Because [respondent] Manas did not replace the same, [petitioner] Ching bought the parts at Star Theater Supply, Inc.
2. Ten pieces lamphouses and one reflector. In March to April 1999, the lamphouses misaligned. In an attempt to fix the same, one of [petitioner] Ching's projectionists, opened the lamphouse and ended up breaking the reflector inside. Since [respondent] Manas did not repair or replace the same and no spare parts were readily available in the market, [petitioner] Ching contracted Rodegelio Anday to fabricate lamphouses for him for the contract price of P555,000.00.
3. Ten pieces rectifiers. In April 1999, the rectifiers also malfunctioned due to electrical fluctuations.



4. One piece projector motor. In late 1999 to early 2000, the projector motor which drives the projector to run and play the movies, did not work. To avoid stoppage in the operations of his cinemas, [petitioner] Ching utilized available spare parts from the other cinemas he owned.

Sometime in May 1999, [respondent] Manas wrote [petitioner] Ching a notice of full compliance of the terms of the contract of sale. He also asked Lito Pilar, one of [petitioner] Ching's projectionists to affix his signature thereon. It reads thus:

Sir:

FULLY COMPLETED AND COMPLIED with the terms of the CONTRACT OF SALE - 10 units XL projection film systems of Cinemas 1, 2, 3, 4 - Sunshine Cinema Mall, FTC Complex.

<i>LOCATORS</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
<i>Projector Heads</i>			<i>Ok</i>	<i>Ok</i>
<i>Soundheads/Motors</i>			<i>Ok</i>	<i>Ok</i>
<i>Xenon Lamphouses</i>			<i>Ok</i>	<i>Ok</i>
<i>Rectifiers</i>			<i>Ok</i>	<i>Ok</i>
<i>Lenses, Flat/Mascope</i>			<i>Ok</i>	<i>Ok</i>
<i>BOOTH ACCESSORIES</i>			<i>Ok</i>	<i>Ok</i>
<i>Projectionist</i>	<i>Adan Mostera</i>		<i>Lito Pilar</i>	

Kindly inspect the whole projection systems of Cinemas 1, 2, 3, 4 and should you find them to your fullest satisfaction, please release the remaining balance (70%) of the Contract of Sale be paid and release to the undersigned.

Thank you.

Very respectfully yours,

(Sgd.) Silverio M Manas

[Petitioner] Ching received a copy of this letter only after he received the summons of the court *a quo*.

On 24 August 1999, [respondent] Manas' lawyer, Redentor A. Salonga, wrote [petitioner] Ching a demand letter, which reads thus:

Sir:

I have been retained by Mr. Silverio M. Manas to take the necessary action to enforce the collection of your account in his favor in the principal amount of P2,205,000.00 which represents the difference between the



principal contract price of P3,150,000.00 for certain movie equipment delivered and installed by Mr. Manas and utilized in your movie houses, and your downpayment of P945,000.00.

I understand from Mr. Manas that you proposed to liquidate your account in monthly installments of P250,000.00, which was however, not accepted by Mr. Manas.

Through this letter of demand, it is hoped that you will pay, on or before 10 September 1999, the aforesaid principal amount of P2,205,000.00 or propose to Mr. Manas in writing, an acceptable and better schedule of payment for his approval.

In default thereof, I shall be left with no other choice but to institute the appropriate legal action not only for the principal but also for interests and damages.

X X X X

[Petitioner] Ching, replied through a letter written by his lawyer, Roger L. Em, dated 8 September 1999, the pertinent portion of which reads:

X X X X

According to Mr. Jimmy Ching, he encountered the following problems in his dealings with Mr. Manas, to wit:

- 1.) Mr. Ching agreed to pay Mr. Manas a second payment of P1,260,000.00 provided complete delivery of the object of the sale is effected on or before 15 January 1998. Actual delivery of the items was completed only on 8 May 1999. Mr. Ching suffered damages on account of the long delayed complete delivery.*
- 2.) Mr. Manas made express warranty for full and satisfactory usefulness of all apparatus, equipment, parts and accessories for two (2) years from date of installation/ as already advised by Mr. Ching to Mr. Manas, two (2) optical lenses were defective; ten (10) units of projector lamp house including the reflectors (without xenon lamp) were defective and inefficient; and ten (10) units of Rectifiers were defective and inefficient. These defective and inefficient part/accessories from another supplier for a total price of P555,000.00.*

Considering that both parties appear to have their respective causes of action, we believe it would be to the best interests of our respective clients if the matter be settled according to the proposal of Mr. Ching, a copy of which is attached. Litigating the matter in court might be very expensive to both parties and could take several years to obtain a final judgment.



We will appreciate it if you could convince Mr. Manas to accept the attached proposal. Upon his acceptance, Mr. Ching will immediately send over the amount of P400,000.00 as installment for August and September 1999.

X X X X

The attached proposal reads:

STATEMENT

<i>10 units Simplex Model XL 3mm movie Projectors with Projector Heads, sound head/motors, Xenon lamphouse, rectifiers, lenses, etc. @ 315.00</i>	<i>3,150,000.00</i>
<i>To be returned and deducted from total cost</i>	
<i>2pcs. Optical lens (defective) 9,800.00</i>	<i>- 19,600.00</i>
<i>10 units Projector Lamp House including reflector w/o Xenon Lamp (defective and inefficient) @ 18,500.00</i>	<i>- 185,000.00</i>
<i>10 units rectifiers (defective and inefficient) @ 37,000.00</i>	<i>- 370,000.00</i>
<i>Advertising Commitment</i>	<i>- 25,000.00</i>
	<i>- P2,550,400.00</i>
<i>To be deducted (downpayment)</i>	<i>- 945,000.00</i>
	<i>P1,605,400.00</i>
<i>Payment to be made</i>	
<i>August 30, 1999</i>	<i>P 200,000.00</i>
<i>September 30, 1999</i>	<i>200,000.00</i>
<i>October 30, 1999</i>	<i>200,000.00</i>
<i>November 30, 1999</i>	<i>200,000.00</i>
<i>December 30, 1999</i>	<i>200,000.00</i>
<i>January 30, 2000</i>	<i>200,000.00</i>
<i>February 30, 2000</i>	<i>200,000.00</i>
<i>March 30, 2000</i>	<i>205,400.00</i>
	<i>P 1,605,400.00</i>

On 26 September 2000, [respondent] Manas filed a complaint for Sum of Money and Damages against [petitioner] Ching before the Regional Trial Court[, Branch 118 of Pasay City (RTC)]. The case was docketed as Civil Case No. 00-0297 for Sum of Money and Damages]. He alleged that he had faithfully complied with the Contract of Sale and the equipments (*sic*) he delivered were utilized by [petitioner] Ching in the formal opening of his cinemas on 24 December 1998. Despite repeated demands, both verbal and written, [petitioner Ching] refused to pay him the remaining balance of P2,205,000.00. [Respondent] Manas prayed that [petitioner Ching] be ordered to pay him the unpaid sum of P2,205,000.00 as principal,

with 12% interest per annum as agreed in the invoices/delivery receipts, counted from date of formal demand on 24 August 1999 until fully paid. He also asked for damages and attorney's fees.

x x x x

On 4 September 2006, the RTC rendered a Decision⁴ in favor of [respondent] Manas, finding: (a) that there was complete and timely delivery of the equipments (*sic*); (b) that [respondent Manas] installed the movie equipments (*sic*); (c) that [respondent Manas] is not liable on the express two (2) year warranty embodied in the contract of sale; and (d) that [respondent Manas], with the consent of [petitioner Ching], validly substituted with another brand the movie projector specified in the contract of sale. The court ruled as follows:

WHEREFORE, all the foregoing considered, judgment is hereby rendered in favor of plaintiff Silverio Manas and against the defendant Chua Ping Hian, a.k.a. Jimmy Ching, ordering the latter to pay the former the total amount of P2,205,000.00 plus stipulated interest of 12% per annum from date of default until fully paid. Defendant is also ordered to pay plaintiff P20,000.00 as attorney's fees. The claim for moral and exemplary damages is hereby denied for lack of merit.

Defendant's counterclaims are denied for lack of merit.

Costs against the defendant.

SO ORDERED.

Aggrieved, [petitioner] Ching filed [an] appeal [before the CA].⁵

The Ruling of the CA

In its Decision⁶ dated March 11, 2009, the CA found petitioner Ching's appeal partly impressed with merit.

Even as the CA found that the substitution of the fifth set of Simplex brand with the Century brand by respondent Manas was acquiesced to by petitioner Ching,⁷ so that petitioner Ching is obligated to pay respondent Manas an outstanding balance of ₱2,205,000.00, the CA nevertheless found that respondent Manas failed to comply with his contractual duty to completely install the projectors which then prompted petitioner Ching to hire other persons to completely install the equipment. The CA likewise held that some of the equipment delivered by respondent Manas, *i.e.*, lamphouses, optical lenses, and projector motor, were defective, forcing petitioner Ching

⁴ *Rollo*, pp. 87-99. Penned by Presiding Judge Pedro B. Corales.

⁵ *Id.* at 46-57.

⁶ *Id.* at 45-77. Penned by Associate Justice Teresita Dy-Liacco Flores, with Associate Justices Rosmari D. Carandang (now a Member of the Court) and Apolinario D. Bruselas, Jr., concurring.

⁷ *Id.*

to secure replacements, and that petitioner Ching did not waive his right to complain about the defects.

Considering the foregoing, the CA held that the expenses incurred by petitioner Ching arising from the incomplete installation and some defective equipment should be deducted from the outstanding balance owed by petitioner Ching to respondent Manas. The CA summarized the total expenses incurred by petitioner Ching as follows:

<i>Expenses Incurred</i>	<i>Amount</i>
A. <i>Cost of Installation performed by Nelson Ruzgal</i>	<i>P20,000.00</i>
1. <i>Cash Voucher for Downpayment</i> <i>26 November 1998</i> <i>P10,000.00</i>	
2. <i>Cash Voucher for Complete Payment for labor contract</i> <i>6 January 1999</i> <i>P10,000.00</i>	
B. <i>Replacement of Defective Equipments (sic)</i>	
1. <i>Optical Lenses</i>	<i>P17,160.00</i>
a. <i>Star Theater Supply, Inc.</i> <i>Invoice No. 7420, 11 February 1999</i> <i>P8,360.00</i>	
b. <i>Star Theater Supply, Inc.</i> <i>Invoice No. 5028, 23 March 1999</i> <i>P8,800.00</i>	
2. <i>Lamphouses</i> <i>As fabricated by Rodegelio Anday per contract</i> <i>Contract Price</i> <i>P555,000.00</i> <i>Less: Cost of 10 rectifiers</i> <i>370,000.00</i> <i>185,000.00</i>	<i>P185,000.00</i>
3. <i>Project Motor</i> <i>Star Theater Supply, Inc.</i> <i>Invoice No. 7818, 15 August 2000</i>	<i>P4,600.00</i>
4. <i>Reflector</i>	<i>P8,500.00</i>
<i>Expenses Incurred</i>	<i>Amount</i>
<i>G&O Enterprises, Inc.</i> <i>Invoice No. 8273, 26 December 1999</i>	
<i>TOTAL EXPENSES INCURRED</i>	<i>P235,260.00⁸</i>

Hence, the CA deducted from the balance of ₱2,205,000.00 “the amount of [₱]235,260.00 representing the expenses incurred by [petitioner] Ching as indicated above. Thus, [petitioner] Ching’s outstanding account payable to Manas is now [₱]1,969,740.00.”⁹

The dispositive portion of the CA’s Decision reads as follows:

⁸ Id. at 75-76.

⁹ Id. at 76.

WHEREFORE, in view of the foregoing, the appealed RTC Decision is hereby **MODIFIED**. Its dispositive portion shall now read as follows:

WHEREFORE, all the foregoing considered, judgment is hereby rendered in favor of plaintiff Silverio Manas and against the defendant Chua Ping Hian, a.k.a. Jimmy Ching, ordering the latter to pay the former the total amount of P1,969,740.00 with an interest rate of 12% per annum counted from the finality of this judgment until it is fully paid. The claim for moral and exemplary damages is hereby denied for lack of merit.

Defendant's counterclaims are denied for lack of merit.

Costs against the defendant.

SO ORDERED.¹⁰

Unsatisfied, petitioner Ching filed a Most Respectful Motion for Partial Reconsideration¹¹ dated March 31, 2009. Respondent Manas likewise filed a Motion for Reconsideration.

Petitioner Ching argued that: (1) the CA failed to consider that the fifth movie projector unit provided by respondent Manas, *i.e.*, Century brand projector, costs much less at ₱220,000.00 compared to the agreed upon model, *i.e.*, Simplex Model XL movie projector, which costs ₱630,000.00 and (2) petitioner Ching had good reason in refusing to pay the balance of the purchase price, considering that the CA itself held that “[petitioner] Ching had a valid reason for refusing payment until the issue of recoupment for breach of warranty was resolved.”¹²

On the other hand, in his Motion for Reconsideration, respondent Manas argued that: (1) the wiring installation was for the account of the buyer, petitioner Ching; (2) the stipulated interest of 12% *per annum* should be counted from the date of extrajudicial demand on August 24, 1999 until full payment; and (3) there is no valid reason for denying the award for attorney's fees.

In the Amended Decision, the CA partially granted petitioner Ching and respondent Manas' respective Motions for Reconsideration:

Accordingly, this Court resolves the two motions as follows:

1. Defendant-appellant's Motion for Partial Reconsideration is **PARTLY GRANTED** in that the

¹⁰ Id.

¹¹ Id. at 78-85.

¹² Id. at 76.



amount of P410,000.00 (sic) should be deducted from the his (sic) outstanding balance amounting to P1,969,740.00.

2. Plaintiff-appellee's Motion for Reconsideration is **PARTLY GRANTED** in that the stipulated interest rate of 12% per annum shall be counted from the date of extrajudicial demand on August 24, 1999 until full payment.

With the above disposition, the dispositive portion of the Decision in this case is hereby **AMENDED** as follows:

WHEREFORE, all the foregoing considered, judgment is hereby rendered in favor of plaintiff Silverio Manas and against the defendant Chua Ping Hian, a.k.a. Jimmy Ching, ordering the latter to pay the former the total amount of P1,559,740.00 with an interest rate of 12% per annum counted from the date of extrajudicial demand on August 24, 1999 until full payment. The claim for moral and exemplary damages is hereby denied for lack of merit.

Defendant's counterclaims are denied for lack of merit.

Costs against the defendant.

SO ORDERED.¹³

Hence, the instant appeal by petitioner Ching before the Court.

Respondent Manas filed his Comment¹⁴ to the instant Petition on February 13, 2012, while petitioner Ching filed his Reply¹⁵ to respondent Manas' Comment on May 21, 2012.

On April 18, 2017, the counsel of respondent Manas filed a Manifestation of Death and Motion to Substitute Heirs,¹⁶ informing the Court that respondent Manas passed away on February 7, 2017, as well as praying that the surviving heirs of respondent Manas be deemed to have substituted the deceased.

The Issue

Petitioner Ching raises a *singular issue* — whether respondent Manas is entitled to an award of stipulated interest for the supposed delay on the part of petitioner Ching in the payment of the remaining balance of the contract price.

Conjunctively, petitioner Ching prays for a singular relief — that the Court modify the CA's Amended Decision by deleting the portion of the said Decision which awards stipulated interest at the rate of 12% *per annum* in favor of respondent Manas.

¹³ Id. at 41-42.

¹⁴ Id. at 206-211.

¹⁵ Id. at 213-222.

¹⁶ Id. at 227-230.



The Court's Ruling

The instant Petition is impressed with merit. Respondent Manas is not entitled to an award of stipulated interest.

To recall, the RTC, in its Decision dated September 4, 2006, ruled that stipulated interest of 12% should be awarded in favor of respondent Manas, counted from the date of default. The CA modified the same and held that the interest of 12% *per annum* stipulated by the parties in the Contract of Sale should be applied from the finality of judgment until full payment. In the Amended Decision, the CA further modified the RTC's Decision and held that the 12% stipulated interest should be counted from the date of extrajudicial demand on August 24, 1999 until full payment.

Based on the established facts of the instant case, however, both the RTC and CA committed error in awarding contractual stipulated interest in favor of respondent Manas.

The contractual stipulated interest is provided in paragraph 6 of the Contract of Sale, which states that in the event of failure by petitioner Ching to pay any installment of the herein agreed purchase price when such is already due, the latter shall be liable to pay an interest on the amount due at the rate of 14% percent per annum (and not 12% per annum as incorrectly held by the RTC and CA):

6. NON-PERFORMANCE OF OBLIGATION - *In the event of failure by the SELLER to deliver and install the apparatus/equipment herein purchased, the BUYER shall have the option of rescinding this Contract with damages or institute a legal action for specific performance with damages. On the other hand, in the event (sic) failure by the BUYER to pay any installment of the herein agreed purchase price when such is already due, the BUYER shall be liable to pay an interest on the amount due at the rate of fourteen (14%) percent per annum.*

Hence, as agreed upon by the parties in the Contract of Sale, the stipulated interest to be paid by petitioner Ching shall only accrue when the installment payment is already due and petitioner Ching failed to make such installment payment. Simply stated, petitioner Ching shall pay the stipulated interest only when he is in **delay**.

Based on the established facts of the instant case, petitioner Ching was **not in delay** when he failed to pay the balance of the purchase price.

To recall, based on paragraph 2 of the Contract of Sale, petitioner Ching obligated himself to make three installment payments as regards the objects of the sale: (a) the down payment of 30% or ₱945,000.00 upon the signing of the Contract of Sale, which petitioner Ching did; (b) a second payment of 40% or ₱1,260,000.00 upon full and complete delivery of all the items indicated in the Contract of Sale, provided the complete delivery is effected on or before



January 15, 1998; and (c) the balance of 30% or ₱945,000.00 after the complete installation, dry run/testing and satisfactory operations of all the units/sets installed.

Stated simply, the Contract of Sale between petitioner Ching, as buyer, and respondent Manas, as seller, gave rise to a **reciprocal obligation**, wherein petitioner Ching was obliged to pay the balance of the purchase price while respondent Manas was obliged to make complete delivery of the objects of the sale on or before January 15, 1998 and ensure complete installation, dry run-testing, and satisfactory operations of all the equipment installed.

In a reciprocal obligation, the performance of one is conditioned on the simultaneous fulfillment of the other obligation.¹⁷ Neither party incurs in delay if the other does not comply or is not ready to comply in a manner with what is incumbent upon him.¹⁸ As explained by recognized Civil Law Commentator, former CA Justice Eduardo P. Caguioa, a reciprocal obligation has been defined as that “where each of the parties is a promisee of a prestation and promises another in return as a counterpart of equivalent of the other. x x x The most salient feature of this obligation is reciprocity.”¹⁹

In the instant case, it is not of serious dispute that respondent Manas reneged on his obligations as seller, justifying petitioner Ching’s refusal to pay the balance of the purchase price.

First, in its Amended Decision, the CA already found as established fact that there was no complete delivery of the objects of sale in accordance with the Contract of Sale.

It was the obligation of respondent Manas to deliver five sets of Simplex Model XL 35mm movie projectors. Respondent Manas was only able to deliver four sets, and the fifth set delivered was a Century brand projector. As held by the CA in its Amended Decision, the delivery of the Century brand projector cannot be considered a substantial compliance of the obligation to deliver a Simplex Model XL movie projector because the Century brand projector is significantly less valuable compared to a Simplex Model XL movie projector. As found by the CA, the Century brand projector is worth only ₱220,000.00, while a Simplex Model XL projector costs ₱630,000.00, or almost three times the value of the Century brand projector.²⁰

The CA likewise noted that petitioner Ching “did not acquiesce [to] the delivery of the Century brand as a substitute of the Simplex model. [Petitioner Ching] had to accept the Century brand delivered on November 29, 1998 considering that he had already announce (*sic*) to the public that the theater

¹⁷ *Vermen Realty Development Corp. v. Court of Appeals*, 296 Phil. 420, 426 (1993).

¹⁸ CIVIL CODE, Art. 1169.

¹⁹ Eduardo P. Caguioa, COMMENTS AND CASES ON CIVIL LAW, CIVIL CODE OF THE PHILIPPINES, Vol. IV, Revised 2nd ed., 1966, p. 147.

²⁰ *Rollo*, pp. 36-38.



will start its operation on December 25, 1998 x x x. Hence, he was forced to accept the Century brand in time for the opening of the movie house.”²¹

The CA pointed out that the evidence on record reveals that when petitioner Ching reminded respondent Manas that he would pay respondent Manas the complete balance of the contract price only after the complete delivery of the five sets of the Simplex Model XL movie projectors, respondent Manas responded positively as the fifth set of the Simplex Model XL movie projector would supposedly be forthcoming.²² The records also show that the fifth Simplex Model XL movie projector was never delivered to petitioner Ching.

Second, as factually found by the CA, “the delivery was made after 15 January 1998”²³ in contravention of respondent Manas’ obligation to deliver the objects of the sale on or before January 15, 1998.

Third, there was no complete installation of the movie projector units as contemplated under the Contract of Sale.

The CA factually found that “[respondent] Manas is liable to [petitioner] Ching for failing to comply with his obligation to completely install the equipments (*sic*) which resulted to [petitioner] Ching’s expenses in hiring a third party to completely install the projectors.”²⁴ It must be recalled that petitioner Ching was obligated to pay the balance of 30% or ₱945,000.00 only after the complete installation, dry run/testing and satisfactory operations of all the units/sets installed. As stressed by the CA, “[t]he stipulation in the contract of sale is clear and unambiguous. The **complete** installation is to be made by the seller.”²⁵

The “complete installation” contemplated under the Contract of Sale refers to the installation of five complete sets of Simplex Model XL movie projectors. However, as already discussed, the fifth Simplex Model XL movie projector was not delivered and installed, despite respondent Manas promising petitioner Ching that the said unit “was coming anytime soon.”²⁶ Hence, even as petitioner Ching engaged the services of a third party to complete the installation of the projectors delivered, there was still no complete installation envisioned under the contract because the fifth Simplex Model XL unit was never delivered and installed.

Furthermore, the Court notes that in the May 1999 letter issued by respondent Manas addressed to petitioner Ching, it is apparent that respondent Manas sought the payment of the remaining balance of 70% of the contract price only after petitioner Ching would have inspected the entire projection system and found them to be satisfactory:

²¹ Id. at 37.

²² Id. at 38.

²³ Id. at 58.

²⁴ Id. at 67.

²⁵ Id. at 61. Emphasis in the original.

²⁶ Id. at 38.

*Kindly inspect the whole projection systems of Cinemas 1, 2, 3, 4 and should you find them to your fullest satisfaction, please release the remaining balance (70%) of the Contract of Sale be paid and release (sic) to the undersigned.*²⁷

Simply stated, respondent Manas covenanted that the payment of the remaining balance by petitioner Ching was made contingent on the latter's satisfactory assessment that respondent Manas completely delivered and installed all of the movie projector units. Obviously, petitioner Ching did not find the delivery, installation, and operation of the movie projector systems satisfactory on account of respondent Manas' failure to deliver the fifth Simplex XL movie projector, the failure of respondent Manas to ensure the complete installation of the movie projector systems, and respondent Manas' delivery of defective components.

In fact, very telling is the unequivocal pronouncement of the CA that "*[petitioner] Ching had a valid reason for refusing payment* until the issue of recoupement (*sic*) for breach of warranty was resolved."²⁸

Therefore, with petitioner Ching being justified in withholding the payment of the balance of the purchase price on account of the several breaches of contract committed by respondent Manas,²⁹ it cannot be said that petitioner Ching was in delay. Necessarily, respondent Manas is not entitled to the stipulated interest as provided in the Contract of Sale. And considering that petitioner Ching cannot be deemed in delay in accordance with the Contract of Sale, the legal interest shall accrue only from the finality of this Decision until full payment.

WHEREFORE, the instant Petition is **GRANTED**. The Court of Appeals' Amended Decision dated October 13, 2011 in CA-G.R. CV No. 88099 is **AFFIRMED WITH MODIFICATIONS**. The dispositive portion of the Amended Decision is modified to read as follows:

WHEREFORE, all the foregoing considered, judgment is hereby rendered in favor of plaintiff Silverio Manas and against the defendant Chua Ping Hian, a.k.a. Jimmy Ching, ordering the latter to pay the former the total amount of P1,559,740.00 with legal interest at a rate of 6% *per annum* from finality of judgment until full satisfaction.

The claim for moral and exemplary damages is hereby denied for lack of merit.

Defendant's counterclaims are denied for lack of merit.

Costs against the defendant.

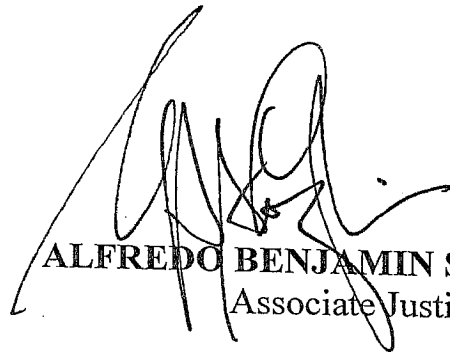
SO ORDERED.

²⁷ Id. at 51.

²⁸ Id. at 76. Emphasis and underscoring supplied.


²⁹ Unfortunately, petitioner Ching did not present sufficient proof of the quantification of whatever damages which he might have suffered thereby.

SO ORDERED.

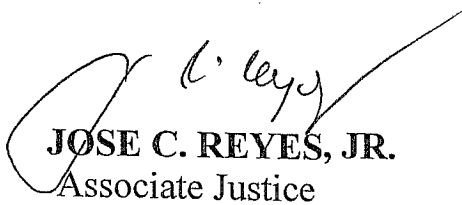


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice


WE CONCUR:



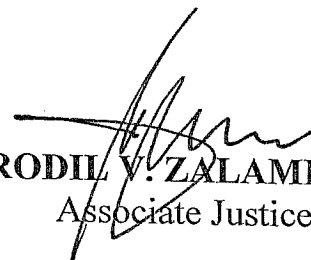
ANTONIO T. CARPIO
Associate Justice
Chairperson



JOSE C. REYES, JR.
Associate Justice



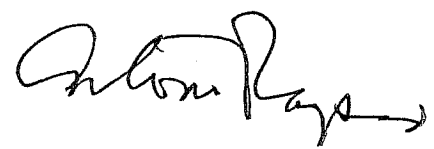
AMY C. LAZARO-JAVIER
Associate Justice



RODIL V. ZALAMEDA
Associate Justice

ATTESTATION

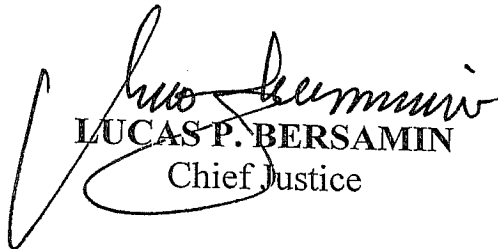
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


LUCAS P. BERSAMIN
Chief Justice

